prince edward island lending authority

annual report

march 1982

ANNUAL REPORT

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1981 - 1982)

Established by an Act of the Provincial Legislature in June, 1969, the Provincial Lending Authority provides capital and operating credit to the primary producers of the Province, particularly those of smaller size, which may reasonably be expected to prove successful but which are unable to obtain financing elsewhere on reasonable terms and conditions.

PRINCE EDWARD ISLAND LENDING AUTHORITY

Post Office Box 1420

Confederation Court Office Tower

134 Kent Street

Charlottetown, P.E.I.

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prince edward island
lending authority

A CROWN CORPORATION
EST. 1969

TEL: (902) 892-4247 - KENT PLACE - 134 KENT ST., P.O. BOX 1420, CHARLOTTETOWN, P.E.I., CANADA, C1A-7N1

July 14, 1982

The Honourable Barry Clark
Minister Responsible for the Leading Authority
Walter R. Shaw Building
P.O. Box 2000
Charlottetown, P.E.I.
C1A 7N8

Honourable Sir:

We are pleased to submit herewith, as required by The Prince Edward Island Lending Authority Act, the Annual Report on the operation of the Lending Authority for the fiscal year ending March 31, 1982.

Respectfully submitted,

A. Bonnell LePage
Chairman of the Board

BOARD OF DIRECTORS
PRINCE EDWARD ISLAND LENDING AUTHORITY
AS AT MARCH 31, 1982

CHAIRMAN	
Mr. A. Bonnell LePage	Tourist Resort Owner, Hunter River
VICE-CHAIRMAN	
Mr. W. B. Hatton	Farmer, Morell R.R. #2
SECRETARY-TREASURER	
— William M. Jay	General Manager, Lending Authority
MEMBERS	
Mr. Douglas Roloson	Farmer, Ocean View
Mr. Francis A. Gauthier	Fisherman, North Rustico
Mr. St. Clair Duffy	Farmer, Kinkora
Mr. Donald Groom	Businessman, Summerside
Mr. Stanhope Moore	General Manager, Land Development Corporation
*Mr. Kenneth Archibald	Director of Development, Department of Fisheries
**Mr. A. W. Humphrey	Deputy Minister, Department of Agriculture and Forestry
***Mr. W.P. MacDougall, C.A.	Deputy Minister, Department of Tourism, Industry & Energy

— Non Voting

* Kenneth Archibald resigned from the Board as at December 31, 1981 and was subsequently replaced by Harry O'Connell, Deputy Minister of Fisheries.

** A. W. Humphrey resigned from the Board as at December 31, 1981 and was subsequently replaced by H. Lloyd Palmer, Deputy Minister of Agriculture & Forestry.

*** W. P. MacDougall resigned from the Board as at September 30, 1981, and was subsequently replaced by Ivan W. MacKenzie, Deputy Minister of Tourism, Industry and Energy.

SCOPE OF ACTIVITY

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1981 - 1982)

The Prince Edward Island Lending Authority is empowered to make loans to approved applicants in the following sectors:

AGRICULTURE

- to provide Operating Credit to farmers required to meet annual cropping expenses such as payment for seed, fertilizer, spray materials, fuels, repairs to machinery, labour, etc. This type of credit is repayable in full upon sale of the crop.

- to provide funds for the purchase of the livestock as follows:

  for beef cows — loans may be obtained for five years repayable in annual instalments; the first payment being interest only, interest plus principal for the remainder of the term.

  for feeder cattle — the full amount of the loan obtained will be due when the cattle are sold, but in no case longer than a period of eighteen months;

  for dairy cows — loans may be obtained for a period up to five years and be repayable in monthly or annual instalments;

  for breeding ewes — loans may be obtained for a four year period repayable in annual instalments;

  for sows — may be obtained for a three year period repayable in semi-annual or annual instalments;

  for feeder hogs — the full amount of the loan will be due when the hogs are marketed.

- to provide Capital Loans for the purchase of farm lands, for recapitalization of capital debt, and for farm equipment, storage facilities, erection and/or repairs to barns, land improvements, etc. Maximum term up to 30 years.

TO FISHERMEN

- to provide Operating Credit to assist seasonal preparation costs prior to the start of the fishing season. These advances are repayable during or at the end of fishing season.

- to provide Capital Loans for the purchase of vessels, motors, and related equipment, etc. Maximum term on new vessels is fifteen years.

TO TOURIST OPERATORS

- to provide Operating Credit to assist in seasonal preparation costs prior to the start of the tourist season. These advances are repayable in full during or at the end of the tourist season.

- to provide Capital Loans for the establishment of and/or expansion of tourist facilities, or for the acquisition of existing facilities. Maximum term up to 30 years.

SUPPORT SERVICE OPERATORS

- to provide Operating Credit for the day to day operation of a business which provides goods or services to the Primary Industries such as Agri-Business, etc.

- credit advanced under this programme must be used for new development and not for consolidation of debts.

- Capital Loans for the purchase of land, buildings, and equipment.

INTEREST RATES

Interest rates on capital loans and operating credit will be determined from time to time and will be based on the cost of money to the Lending Authority.

REVIEW

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1981 - 1982)

The Lending Authority, which was established in 1969 as a Crown Corporation and which commenced operation in April, 1970, was designed to assist farmers, fishermen, tourist operators and small support industries in the province, particularly those operating on the small to medium scale to obtain financing, on reasonable terms and conditions which would not normally be available from other sources.

It is generally agreed that the economic well-being of the province depends, to a large extent, on the continued growth of our primary industries. In assisting primary producers and supporting industries, the Lending Authority is fulfilling an important role and is one of the economic vehicles that assist in this much needed and continued growth.

The Lending Authority's activity, inter alia, includes administration of the loan portfolios of the Lending Agencies of the Government of Prince Edward Island existing prior to April, 1970. The Authority is also the representative of the Federal Department of Fisheries and Oceans for their fishing vessel subsidy program.

The authority, now in its thirteenth year of operation, has been accepted both by the persons it was established to assist and by the business community as a whole, and it is evident that it will continue to play an ever increasing role in the future economic development of the province through its lending programs.

ANNUAL REPORT OF THE GENERAL MANAGER

In this, my thirteenth annual report as General Manager, we are pleased to note that the Lending Authority has again experienced a very busy and at times complex year; loans and credit approved during the year totalled $11,462,487.

A Statistical Report on loans and credit extended will be found on page eight of this annual report.

Loans and credit approved declined from the previous year by approximately $3,900,000. This decline was predicted in my last annual report and is due primarily to the present economic conditions, which are seriously effecting all sectors of our economy. A substantial decline was experienced in capital loans for new farm equipment and loans for new buildings and building expansion, both in the agricultural and tourism sectors, whereas there was a substantial increase in loan applications for the purpose of debt consolidation by farmers.

Of significance, however, is the increase in capital loans to inshore fishermen over the previous year, 102 loans being approved, totalling $1,500,000. This included loans for 48 new inshore vessels, which accounted for 77 percent of the new inshore vessels for which the Federal Vessel Subsidy was approved. The Lending Authority continues to represent the Federal Department of Fisheries and Oceans for the fishing Vessel Subsidy Program for Prince Edward Island.

As in past years, the agricultural sector accounted for the greater percentage of loans and credit approved, 133 capita' loans being approved for a total of $3,800,000 and 61 applications for working capital credit, totalling $4,200,000 for a total of $8,000,000, approximately. This amount, together with approximately $1,200,000 in loans and credit extended to Agri Business through our Support Services Sector accounts for an overall investment by the Lending Authority in the agricultural industry of the province of approximately $9,200,000 for fiscal 1981/82.

In tourism, a substantial decline was experienced in the number of dollars loaned. The loans extended were principally for the acquisition of existing tourist operations, which follows the pattern of the past two fiscal years. This situation can be attributed to the continuance of high interest rates and escalating building costs making viability in this sector with our short tourist season very difficult to attain.

In our last annual report, we noted that the economic instability that continued to plague not only the economy of the province, but the country as a whole would cause complex and difficult problems for the Lending Authority, its management and staff in the ensuing year. With the year in question now history, our predictions became reality. During the year, potato producers again suffered serious losses due to depressed markets. While in recent weeks the price for hogs and beef has strengthened somewhat, it was not a profitable year for producers of these commodities and dairy producers were showing considerable concern over problems looming in the federal milk quota system. These problems, coupled with low prices for fish landings and an average only tourist season for 1981 have caused serious and complex problems for the Lending Authority. Decision making on both new applications and recovery procedure have become in many instances, complex, difficult, and at times painful and soul searching, particularly when these decisions affect, in many cases, the livelihood of applicants and existing clients.

It is perhaps true that all persons and businesses in financial difficulty could be made to live for awhile longer if they could secure additional credit. Disillusionment comes, however, when one discovers how short that extension of life may be and that it is only forestalling the inevitable. It is difficult that you can't run your farm or other business in the way that always seemed to work in the past and, the simple solution to secure more credit "just to hold us until the next selling season" is regrettably not the answer. Realistically the reason for default on loans and credit and the resulting insolvency is, in many cases, inadequate management. It is extremely difficult, however, for a loan officer to convince a loan applicant that his management is lacking and, is so often the case, the lender is accused of inflexibility, of being hard nosed and unfeeling. Regretfully but realistically the "bottom line" in financial jargon must be the determining factor in which the loan officer must make a decision to grant further credit. To do otherwise under the present economic circumstances would involve massive losses in bad debts, which would be beyond the ability of the provincial government to absorb.

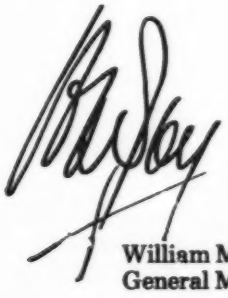
To be a benefactor to all persons and businesses in financial difficulty would be a marvelous gesture on the part of the government, however, this is beyond reality and must be understood by those who feel this should be the case.

The continuance of unduly high interest rates, increasing production cost and the vagaries of the market system are, of course, all factors in our present difficulties. Needless to say, value judgements by loan officers on loan applications will become even more difficult as the economy continues in its downward spiral. Accordingly, it must be accepted by government that there will be casulties in all sectors and, further, that bad debt losses will occur and they must be provided for through appropriation.

On a more positive note, the Lending Authority was able to survive the year with no bad debts and with a very small increase in operating costs. There was no change in our staff complement during the year.

To conclude our report, I am pleased to advise that management and staff of the Lending Authority enjoy an excellent rapport with the Chairman of the Board and its members, with the Minister responsible, Hon. Barry R. Clark, and with the various departments and agencies, both of the Federal and Provincial Governments and the financial community at large, with whom it must co-operate.

Respectfully submitted,



William M. Jay
General Manager

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATISTICAL INFORMATION

APRIL 1, 1981 - MARCH 31, 1982

(with comparative figures for fiscal 1980/81)

(1) Total number of applications received

	1980/81	1981/82
Agriculture	403	318
Fisheries	120	144
Tourism	41	37
Support Services	31	24
	595	523

(2) Total dollar value of applications received

Agriculture	$16,612,555	$14,335,696
Fisheries	1,647,307	2,411,700
Tourism	4,843,650	2,342,610
Support Services	4,233,871	1,384,380
	27,337,383	20,474,386

(3) Disposition of applications

Approved:						
AGRICULTURE						
Capital	170	for	5,215,462	133	for	3,831,035
Working Capital	94	for	5,835,611	61	for	4,197,961
Total Loans	264		11,051,073	194		8,028,996
FISHERIES						
Capital	76	for	856,635	102	for	1,489,457
Working Capital	10	for	11,218	5	for	6,720
Total Loans	86		867,853	107		1,496,177
TOURISM						
Capital	22	for	1,701,220	17	for	719,872
Working Capital	1	for	3,000	0	for	—
Total Loans	23		1,704,220	17		719,872
SUPPORT SERVICES						
Capital	15	for	900,296	11	for	734,312
Working Capital	6	for	841,325	5	for	483,130
Total Loans	21		1,741,621	16		1,217,442
TOTAL APPROVED	394		15,364,767	334		11,462,487
Applications withdrawn and/or declined	201		11,972,616	189		9,011,899
TOTAL	595		27,337,383	523		20,474,386

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF INTEREST EARNED — ALL SECTORS

FOR THE PERIOD APRIL 1, 1981 - MARCH 31, 1982

Agricultural Loans	$ 1,412,279
Fisheries Loans	191,353
Tourist Loans	594,338
Industry & Support Services Loans	230,885
Working Capital Loans	651,259
	3,080,114

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF

LOAN PORTFOLIOS ASSUMED

FOR THE PERIOD APRIL 1, 1981 - MARCH 31, 1982

Farm Establishment Board	
Balance March 31, 1981	1,478,825
Payments received April 1/81 - March 31/82	208,541
Balance March 31, 1982	1,270,284
Tourist Loan Board	
Balance March 31, 1981	97,214
Payments received April 1/81 - March 31/82	33,947
Balance March 31, 1982	63,267
Industrial Loan Board and P.E.I. Industrial Corporation	
Balance March 31, 1981	86,531
Payments received April 1/81 - March 31/82	14,870
Balance March 31, 1982	71,661

PRINCE EDWARD ISLAND LENDING AUTHORITY

SCHEDULE OF LOANS APPROVED

APRIL 15/70 - MARCH 31/82

YEAR ENDING	Agriculture Capital	Fisheries Capital	Tourism Capital	Support Capital	Working Capital	TOTAL
March 31/71	13	67	31	2	*156	269
	276,539	145,502	374,960	3,379	1,642,800	2,443,180
March 31/72	13	63	24	12	*131	243
	274,700	144,099	220,548	865,500	1,483,228	2,988,075
March 31/73	47	46	35	3	95	226
	669,564	185,239	901,927	51,145	1,272,435	3,080,310
March 31/74	46	94	20	4	87	251
	463,854	465,092	339,560	606,639	1,591,781	3,466,926
March 31/75	107	107	21	12	245	492
	906,246	365,051	529,189	278,950	2,554,176	4,633,612
March 31/76	44	54	14	12	135	259
	510,255	340,481	375,883	226,469	3,053,306	4,506,394
March 31/77	90	75	20	11	127	323
	905,663	295,978	954,247	619,107	3,782,268	6,557,263
March 31/78	107	69	15	10	93	294
	1,571,843	374,230	564,145	679,030	3,046,371	6,235,619
March 31/79	124	84	19	11	141	379
	1,655,196	910,515	1,119,950	830,067	4,875,293	9,391,021
March 31/80	176	103	27	16	104	426
	4,128,794	1,243,816	1,250,735	545,690	4,873,681	12,042,716
March 31/81	170	76	22	15	111	394
	5,215,462	856,635	1,701,220	900,296	6,691,154	15,364,767
March 31/82	133	102	17	11	71	334
	3,831,035	1,489,457	719,872	734,312	4,687,811	11,462,487
TOTAL LOANS	1070	940	265	119	1496	3890
APPROVED	20,409,151	6,816,095	9,052,236	6,340,584	39,554,304	82,172,370

* Guarantee Certificates to Approved Lenders' — Program discontinued in 1973.

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF LOAN FLOW

FOR THE PERIOD APRIL 1, 1981 - MARCH 31, 1982

Agricultural Capital Loans		
Balance March 31, 1981		8,853,228
Payments received April 1/81 - March 31/82	2,317,231	
Interest and Disbursements	5,073,740	
Balance March 31, 1982		11,609,737
Fisheries Capital Loans		
Balance March 31, 1981		1,242,560
Payments received April 1/81 - March 31/82	581,111	
Interest and Disbursements	914,389	
Balance March 31, 1982		1,575,838
Tourist Capital Loans		
Balance March 31, 1981		4,495,210
Payments received April 1/81 - March 31/82	734,952	
Interest and Disbursements	1,492,298	
Balance March 31, 1982		5,252,556
Support Services Capital Loans		
Balance March 31, 1981		2,052,507
Payments received April 1/82 - March 31/82	505,820	
Interest and Disbursements	520,824	
Balance March 31, 1982		2,067,511
Working Capital — All Sectors		
Balance March 31, 1981		1,832,425
Payments received April 1/81 - March 31/82	4,182,358	
Interest and Disbursements	5,912,703	
Balance March 31, 1982		3,562,770

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF WRITES-OFFS

AND RECOVERIES

FOR THE PERIOD ENDING MARCH 31, 1982

Bad Debts Written Off	**Nil**
Bad Debts Recovered	
Edward Gallant, North Rustico	$ 250
Sparton Construction Ltd., Alberton	1,602
John J.B. MacIsaac, Rock Barra	720
Donald Gillis, Kensington R.R.	120
	$2,692

PRINCE EDWARD ISLAND LENDING AUTHORITY

LOANS CLASSIFIED BY SECTOR AND RANGE

YEAR ENDING MARCH 31, 1982

RANGE	Agriculture	Fisheries	Tourism	Support Services	Total
$ 0 - 999	2	4		1	7
1,000 - 2,999	9	24		3	36
3,000 - 4,999	17	7		2	26
5,000 - 7,499	16	7		1	24
7,500 - 9,999	12	14	1		27
10,000 - 14,999	32	7	1		40
15,000 - 24,999	29	17	5	2	53
25,000 - 34,999	16	21	3		40
35,000 - 49,999	17	6	1	1	25
50,000 - 99,999	24		3	3	30
100,000 and over	20		3	3	26
	194	107	17	16	334

PRINCE EDWARD ISLAND LENDING AUTHORITY

COMPARISON OF LOANS APPROVED TO BAD DEBTS

APRIL 15/70 - MARCH 31/82

Year Ending	Total Loans	Write-Offs	Percent of Total Loans	Recovery
Mar 31/71	2,443,180	—	—	—
Mar 31/72	2,988,075	172,698	5.8	—
Mar 31/73	3,080,310	150,000	4.9	16,928
Mar 31/74	3,466,926	150,425	4.3	18,477
Mar 31/75	4,633,612	56,719	1.2	23,077
Mar 31/76	4,506,394	61,693	1.4	8,801
Mar 31/77	6,557,263	54,125	0.8	38,167
Mar 31/78	6,235,619	50,000	0.8	18,796
Mar 31/79	9,391,021	22,671	0.2	38,048
Mar 31/80	12,042,716	50,000	0.4	13,198
Mar 31/81	15,364,767	18,667	0.1	37,078
Mar 31/82	11,462,487	—	—	2,692
TOTALS	82,172,370	786,998	0.9	215,262

STAFF OF THE PRINCE EDWARD ISLAND LENDING AUTHORITY

As at March 31, 1982

William M. Jay, A.C.I., C.C.C.E.	General Manger
Lloyd S. Blakney, M.C.I., D.P.A.	Chief Loans Officer
Eric G. Wood	Accountant
Colin N. Jackson, M.C.I.	Loan Officer II
Eric R. MacNeill, M.C.I.	Loan Officer II
Gerald F. Gahan, M.C.I.	Loan Officer II
Daniel W. Smith, M.C.I.	Loan Officer II
George G. McCabe, M.C.I.	Loan Officer II
Brian J. Gallant, B.B.A., M.C.I.	Loan Officer II
W. Hubert Proud, B.A.	Agricultural Loan Officer
Michael F. Bradley, Ag. Tech.	Agricultural Loan Officer
Mrs. Anne Bornell, B.B.A., M.C.I.	Agricultural Loan Officer
J. Kevin Curley, B. Comm.	Agricultural Loan Officer
J. Kenneth MacDonald	Fisheries Loan Officer
Ms. Mary J. Dalton	Secretary to the General Manager
Mrs. Eileen Norton	Accounting Technician I
Mrs. Elizabeth Boswall	Secretary/Receptionist
Mrs. Eleanor Giraud	Cashier/Secretary
Ms. Kathy Ellis	Secretary

CONSULTANTS TO MANAGEMENT:

Consulting Engineer	Mr. Norman F. Stewart P. Eng., Be. (Civil), M.E.I.C.

AUDITORS:

Coopers & Lybrand, Chartered Accountants, Charlottetown, P.E.I.

May 17, 1982

AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have examined the balance sheet of the Prince Edward Island Lending Authority as at March 31, 1982 and the statements of liability — Province of Prince Edward Island, interest income and expenses and operating funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Lending Authority as at March 31, 1982 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants

PRINCE EDWARD ISLAND LENDING AUTHORITY

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS

	1982 $	1981 $
CURRENT ASSETS		
Cash	81,110	650
Short-term loans plus interest and miscellaneous items (Schedule A)	3,473,701	1,786,614
Mortgage loans plus interest and miscellaneous items (Schedule B)	22,314,177	18,575,504
Recoverable expenditures from Department of Finance	111,273	—
Sundry receivables	653	725
	25,980,914	20,363,493

LIABILITIES

CURRENT LIABILITIES		
Bank advances (note 3)	100,000	116,400
Sundry liabilities (note 2)	175,391	230,459
	275,391	346,859
LIABILITY TO PROVINCE OF PRINCE EDWARD ISLAND (note 4)	25,705,523	20,016,634
	25,980,914	20,363,493

SIGNED ON BEHALF OF THE BOARD

A. Bonnell LePage
Chairman

William M. Jay
Secretary-Treasurer

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF LIABILITY — PROVINCE OF PRINCE EDWARD ISLAND

AS AT MARCH 31, 1982

	1982	1981
	$	$
BALANCE — BEGINNING OF YEAR	20,016,634	14,825,298
Add:		
Advances from Province	8,534,179	9,306,199
Interest on advances	2,382,592	1,546,848
Balance of interest income over interest expense	148,845	72,378
Debts collected that were written off	2,692	37,078
	31,084,942	25,787,801
Deduct:		
Payments made to Province	5,240,297	5,639,434
Increase in provision for possible future losses on mortgage loans and receivables	139,122	131,733
	5,379,419	5,771,167
BALANCE — END OF YEAR	25,705,523	20,016,634

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF INTEREST INCOME AND EXPENSES

FOR THE YEAR ENDED MARCH 31, 1982

	1982 $	1981 $
INTEREST INCOME		
Loans	3,224,241	2,350,664
INTEREST EXPENSE		
Bank	55,678	101,629
Province of P.E.I.	3,019,718	2,176,657
	3,075,396	2,278,286
BALANCE OF INTEREST INCOME OVER EXPENSE FOR THE YEAR	148,845	72,378

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF OPERATING FUNDS

FOR THE YEAR ENDED MARCH 31, 1982

	Unaudited Budget Appropriation 1982 $	Actual 1982 $	Actual 1981 $
OPERATING GRANT — PROVINCE OF PRINCE EDWARD ISLAND	800,100	767,026	598,753
OPERATING EXPENSES			
Salaries and wage levies	506,600	487,257	429,360
Rent — Office and office equipment	79,600	79,600	79,600
— Automobiles	16,100	16,100	15,200
Travel and field call expenses	13,800	13,800	13,900
Telephone	16,300	16,300	15,600
Professional fees	7,500	7,500	12,500
Directors fees and expenses	10,000	10,000	5,000
Office supplies	9,950	9,950	9,943
Insurance	1,600	1,596	1,600
Legal and collection costs	34,152	34,152	2,500
Repairs and maintenance	1,000	1,000	1,000
Furniture and fixtures	800	800	1,000
Postage	2,300	2,300	2,300
Advertising	2,000	2,000	4,000
General expenses	3,250	3,250	3,450
Loan costs	81,421	81,421	1,800
Loan balances written off	13,727	—	—
	800,100	767,026	598,753
EXCESS OPERATING GRANT FOR THIS YEAR	—	—	—

PRINCE EDWARD ISLAND LENDING AUTHORITY

SCHEDULES OF MORTGAGE LAONS PLUS INTEREST AND MISCELLANEOUS ITEMS

AS AT MARCH 31, 1982

	Agriculture $	Fisheries $	Tourist $	Support Services $	Total 1982 $	Total 1981 $
SCHEDULE A — SHORT-TERM LOANS						
Principal balances					3,562,770	1,832,425
Provision for possible future losses					89,069	45,811
					3,473,701	1,786,614
SCHEDULE B — MORTGAGE LOANS						
Mortgage loans assumed by Lending Authority —						
Principal and interest balances	1,270,284	—	63,267	71,661	1,405,212	1,662,570
Accrued interest	32,599	—	2,300	876	35,775	42,448
	1,302,883	—	65,567	72,537	1,440,987	1,705,018
Provision for possible future losses	32,572	—	1,639	1,813	36,024	42,625
	1,270,311	—	63,928	70,724	1,404,963	1,662,393
Mortgage loans transacted by Lending Authority —						
Principal balances and interest due	11,609,737	1,575,838	5,252,556	2,067,511	20,505,642	16,643,505
Accrued interest	423,140	139,734	319,429	57,403	939,706	703,275
	12,032,877	1,715,572	5,571,985	2,124,914	21,445,348	17,346,780
Provision for possible future losses	300,822	42,889	139,300	53,123	536,134	433,669
	11,732,055	1,672,683	5,432,685	2,071,791	20,909,214	16,913,111
					22,314,177	18,575,504

PRINCE EDWARD ISLAND LENDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1982

1. ACCOUNTING POLICIES

Asset valuation

(i) The corporation has calculated a provision for future losses on loans based on a five year loss experience and local economic conditions. The provision results in a percentage of 2.5% and is applied to the year end balances of the loans.

(ii) Fixed assets are expensed in the accounts of the Authority on the date they are acquired.

2. SUNDRY LIABILITIES

	1982 $	1981 $
These consist of the following:		
Subsidies received direct from the Government of Canada on behalf of inshore fishermen	148,047	230,459
Sundry expenses items	27,344	—
	175,391	230,459

3. BANK ADVANCES

Bank advances are secured by a Government Guarantee to the extent of $2,500,000 plus a debenture to the extent of $5,000,000 on all working capital loans of the corporation.

4. LIABILITY — PROVINCE OF PRINCE EDWARD ISLAND

The liability of the Province is secured by debentures issued at varying interest rates and redemption periods. The total of these debentures outstanding at March 31, 1982 is $22,162,321. The balance of the liability is secured by a promissory note reissued monthly.

The aggregate principal payment due on the debentures March 31, 1982 is approximately $840,000.